

Understanding how insurance companies determine auto rates

If an insurance company wants to change its rates, it must submit its request to the Office of the Insurance Commissioner. The filing must include enough statistical, financial, and other information to show the change is necessary.

If the company can show the requested change is justified and we determine the proposed rates are not excessive, inadequate or unfairly discriminatory, then according to state law, we must approve them.

How rates are determined

Insurance companies can rate all licensed drivers in the household — including your spouse and other members in your household, whether or not they are related by blood. This includes roommates.

Insurance companies calculate auto insurance rates by starting with a dollar amount (base rate). Your base rate is adjusted according to certain factors such as your age, sex, marital status, driving pattern, claims history, geographical area, credit history and the make, model and year of your vehicle.

Companies may weigh factors differently, but most consider the following:

Your age: Statistics show that drivers under age 25 are involved in more accidents than adults between age 25 and 65. Companies generally consider them a higher risk. Families with younger drivers in the household may pay more for their insurance. Statistics also show that senior citizens present a higher-than-average risk to insurance companies.

Your sex: Insurance companies can discriminate on the basis of sex if that discrimination is based on statistical evidence, proving one sex is a higher risk. For example, young men — especially those under age 25 — are involved in more accidents and typically pay higher insurance rates.

Marital status: Statistically, married couples have fewer accidents than singles and generally pay lower rates.

Your vehicle: Generally, the more expensive your vehicle, the more you will pay for insurance. Also, because sports cars and high-performance cars are involved in more accidents, cost more to repair, and are stolen more often, they cost more to insure.

Your location: Statistical data for the area where you live may change your rates. For example, a higher or lower than average crime rate may increase or decrease the base rate for comprehensive coverage, while a higher or lower than average number of accidents in your area may increase or decrease the base rate for liability and collision coverages.

Driving patterns: The number of miles you drive per year can increase your rate.

Your driving record and your claims history: Insurance companies may charge you more if you've been involved in an accident or have been convicted of one or more traffic violations. Also, the more claims you file, the more likely your rates will increase.

Credit History: Washington state has one of the toughest laws restricting how insurance companies use credit history. But your insurer still may use information in your credit history to determine your insurance score. Your insurance score may raise or lower your premium. For more information, read our fact sheet Credit Scoring and Insurance on the Web at http://www.insurance.wa.gov/publications/factsheets/credit_scoring.pdf

Additional tips on how to save money on your insurance

Shop around: Rates for the same coverage will vary from company to company. But cheaper is not always better. Talk with your agent about how much coverage will protect you. These days, you can buy insurance over the Internet without using an agent. Make sure the company you're considering is licensed to do business in Washington. If you have questions about a company, call our Insurance Consumer Hotline at 1-800-562-6900.

Check on insurance costs before you buy a car: The type of car you own will impact how much you pay for insurance. Before you purchase a car, check with your agent or ask your company how much it will cost to insure the model you want to buy.

Select higher deductibles: The amount of the deductible you select will affect your auto rate. For example, you may save money by raising your collision and comprehensive deductibles from \$100 to \$500.

Special discounts: Ask your agent or company if they offer any special discounts. Young drivers, who are good students or who have finished a driver's education course, may qualify for a discount. Also, many companies will give you a discount on your auto premiums if you also insure your house through the same company.

The law (RCW 48.19.460) requires insurance companies to give discounts to seniors who complete the "55-Alive" program. This program is offered in various Washington locations. For more information on this program, contact the:

Washington Traffic Safety Commission

Senior Driving Program
Gina Beretta, Program Manager
1000 S. Cherry St.
Olympia, WA 98504
360-753-4175

Remove duplication: Your coverage may overlap in some areas, such as medical, collision, or uninsured motorist property damage. Ask your agent or company to explain your coverage and advise you if you're duplicating coverage.

Collision/comprehensive: If you don't think you could afford to fix your car yourself if you were involved in an accident, you may want to carry collision and comprehensive coverage. This coverage protects owners of expensive and late-model automobiles against the cost of repairs.

Although this type of coverage may increase your rate, you may want to consider it if the difference in what you pay would exceed your ability to pay repair bills. Your lender may require this type of coverage until you've paid off your car.

Remember, just as insurance companies differ in how much they charge you for coverage, they also may differ in the skill, care, and how quickly they settle claims. It pays to shop around.

The Office of the Insurance Commissioner can help you!

If you have any questions or need additional information about your rights, call our Insurance Consumer Hotline at

1-800-562-6900

or visit our Web site at

<http://www.insurance.wa.gov/>